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SUBJECT: CUBA COMES TO TOWN

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Classified By: Robert Downes, Political Counselor,
for Reason 1.4(b).

11. (U) SUMMARY: President Hugo Chavez received Cuban Vice President Carlos Lage on January 24 with fanfare but without public announcement prior to Lage's arrival. Lage's presentation of a letter purportedly written by Fidel Castro to Chavez gave Chavez the opportunity to publicly trumpet Castro's "recovery." The two countries signed over a dozen agreements during Lage's visit, totaling over one billion dollars. Lage's visit appears to have surprised even Chavez's top advisors. Motivations for the lightning visit are unclear, but the GoC's recognition of its dependence on Venezuela's - and Chavez's - oil wealth certainly played a role. END SUMMARY

SURPRISE!

12. (U) Neither the BRV Ministry of Information and Communication nor the Cuban government announced the Lage visit beforehand. Lage was greeted at Miraflores by an honor parade and President Chavez. The press first learned of Lage's visit when he was en route from the airport to Miraflores. In addition to Lage, the sizable and senior Cuban delegation consisted of Ambassador to Venezuela German Sanchez Otero; Cuba's Central Bank President; and the chiefs of the following Cuban Ministries: Basic Industry, Foreign Investment, Information and Telecommunications, Transportation, Tourism, Finances, Agriculture, and Heavy Industry. The BRV's delegation matched Cuba's nearly minister-for-minister. In addition to President Chavez, Vice President Rodriguez and eight Cabinet ministers (Foreign Relations, Secretariat of the Presidency, Energy and Petroleum, Tourism, Basic Industry and Mining, Infrastructure, Agriculture and Lands, and Telecommunications), as well as the president of Venezuela's Social and Economic Development Bank, participated in the bilateral pow-wow.

CASTRO: ALMOST JOGGING

13. (U) Chavez read aloud from a letter purportedly written

by ailing Cuban dictator Fidel Castro. The presentation of the letter was meant to be interpreted as a show of the increasing strength and vibrancy of Castro, with Chavez saying "I'm going to show you, for those who say he is dying, that he cannot talk or move." Chavez said the Lage told him Castro was up and about, and that he was "walking more than (Lage), almost jogging."

BILATERAL AGREEMENTS

14. (SBU) According to the BRV Minister of Basic Industry and Mining, the accords signed January 24 will cost US\$1.1 billion, of which almost all of the funding will come from Venezuela. This significant outlay of cash comes on top of the approximately US\$11 billion in announced agreements already in existence between the two countries, and the 89,000 barrels of oil sent daily to the island nation "in exchange" for Cuban technical assistance (reftel).

15. (SBU) It's an Island Paradise: Among the accords signed between the two countries are two tourism-based agreements. One project purports to send 100,000 "popular" (i.e., low income) Venezuelan tourists annually to Cuba. The plan, similar to one currently in operation within Venezuela, aims to provide free vacations to Venezuela's impoverished sectors, which the Ministry of Tourism numbers at over 8 million people. Presently, the cheapest flight to Havana on Venezuelan carrier Aeropostal is over US\$500. Not factoring in additional costs for room and board or the costs of a Venezuelan actually enjoying his or her visit to the beautiful island paradise, the BRV is promising over US\$55 million on airfare alone.

16. (SBU) Making Waves: Cuba and Venezuela struck an agreement to create a joint telecommunications company. The currently nameless venture will purportedly lay a 1,500

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kilometer-long fiber optic cable between Havana and Caracas. According to new Telecommunications Minister Jesse Chacon, the cable will allow cheap high-speed Internet access to Cuba.

17. (U) Other Agreements: The two governments signed accords in various other sectors. These include: a memorandum of understanding to build one company that will modernize ports and another that will manufacture boats; an agreement to initiate a railroad plan in Cuba; two accords to create companies that will manufacture stainless steel and nickel, respectively; an MOU to establish an electric plant in Cuba; shared studies of petroleum exploration in Cuba; an agreement to conduct a quantitative analysis of crude reserves in Venezuela; a letter of intention to create a joint venture on La Tortuga island; and an accord for the production and exportation of rice.

CHAVEZ: A THREAT TO CUBA IS A THREAT TO VENEZUELA

18. (U) Speaking to the press alongside Vice President Lage, Chavez responded to President Bush's January 23 State of the Union address. Chavez acknowledged that Bush did not directly refer to Venezuela or Chavez, but said that, in regard to Bush's comments on Cuba, "when you threaten Cuba, you are threatening Venezuela."

COMMENT

19. (C) The senior delegation Cuba sent to Venezuela on January 24 appeared to signal the continuing health and depth of the bilateral economic relationship, a relationship which is decidedly unbalanced. The BRV is signing on to new ways

of transferring funds to the Castro regime. As with many of Chavez's ambitious projects, some of these agreements seem unlikely to be fulfilled. Projecting to send 100,000 Venezuelan tourists to Cuba, for example, seems preposterous considering the BRV has managed to send less than 4,000 Venezuelans on vacation within Venezuela under a separate BRV scheme in the last six months. The fiber optic cable link is interesting; although we do not believe the BRV or Venezuelan companies have the expertise to execute such a plan, it does have the cash to pay others to do so. Presumably a new fiber optic cable would help ensure secure communications between the BRV and the GoC. It seems that the agreements on January 24 at what appears by all accounts to have been a hastily executed event are more political than economic. The circumstances of the trip appear to underline the Castro regime's recognition of its continuing dependence on Hugo Chavez's willingness to pass Venezuelan oil wealth to Cuba.

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